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FARMERS' MUTUAL FIRE INSURANCE IN THE UNITED STATES

Mutual fire insurance among the farmers of the United States is no longer an experiment. The oldest farmers' mutuals in the country have nearly reached the century mark. More than 200 of these companies have been in business for over 50 years. The present number is about 2,000 and the total volume of risks carried by them is between seven and eight billions of dollars. The average cost of insurance in these companies for the country as a whole is about 25¢ per hundred dollars per year. This low cost is made possible in part by the elimination of many of the expenses incidental to larger commercial companies, and even more by the elimination of losses through the avoidance of the so-called moral hazard.

While the farmers' mutual insurance movement had already gained considerable headway at an earlier date, the decade 1870-1880 marks an important forward step. During this ten-year period, a number of States in the Middle West followed the earlier lead of New York and enacted laws providing specifically for the organization and regulation of farmers' mutual fire insurance companies, and in this decade, approximately 500 of the existing companies began their careers. From 1890 to 1900 a number of the Southern or South Central States enacted farmers' mutual insurance laws.

Practically every State north of the line drawn along the southern boundary of Missouri is now served by specialized farmers' mutual insurance companies. In most of these States the territory is fully covered, though in some of the Eastern as well as some of the Western States additional organizations are needed. In general, the problem in the North is that of further improvement in methods and plans rather than that of additional companies.

In nearly all the more strictly agricultural States of the North the farmers' mutuals have formed State associations for the purpose of enabling their officers to compare methods and plans and to advance the interests of the companies. A national association of mutual insurance companies, composed in large measure of farmers' mutuals, was organized more than 25 years ago and this association is doing excellent work in promoting and safeguarding the interests of all legitimate mutual insurance companies.

The farmers' mutual insurance movement has not as yet attained to a strong development in the South, although a considerable number of active and successful companies are found in some of the Southern States. The larger percentage of tenancy, and more particularly the

large percentage of negro tenants, explains in part this lack of development. In at least four of the Southern States, namely, the two Carolinas, Georgia and Alabama, the farmers' mutual insurance movement has been handicapped by the fact that it was introduced not by the farmers themselves, as a method of cooperation for the protection of their own property, but rather by promoters who aimed, in part at least, at personal control of the organizations for their own profit. The plan was to get a charter from the legislature giving the incorporators the right to carry on mutual insurance among the farmers through branch organizations in the different counties of the State. County branches were then organized by soliciting applications for insurance and selling the management of the branch to some local person.

Under this plan of promotion by individuals for their own profit, little, if any, of the feeling of solidarity or the spirit of cooperation was developed among the members. An assessment was difficult to collect, therefore, particularly as soon as one of substantial amount was necessary to meet losses incurred. A few of the county branches were taken over by the farmers themselves and formed into independent companies on a more truly cooperative basis. In most cases, however, the lack of cooperative spirit and the failure to develop local leadership caused the county branches, as well as the State company, to dissolve. Under these circumstances, it is little wonder that later efforts to organize real mutuals have met with difficulties. With proper State legislation and with the promotion of mutuals in the hands of the farmers themselves, the movement shows a record for success and stability hardly equalled by any other form of organization. Some of the States, for example, have records covering the operation of farmers' mutuals in large numbers and with total risks running into the hundreds of millions without a single failure over periods covering nearly half a century. A large percentage of the farmers' mutual fire insurance companies began operation on the plan of collecting assessments for the payment of indemnities after the losses had actually occurred, the only payment required at the time of writing the policy being a small membership or policy fee, intended to cover the cost of writing the application and the inspection of the property. Many of the older companies were organized to do business in a single township.

With the organization of larger county companies and the growth of such companies in membership and risks in force, the earlier plan of collecting assessments after each material loss has been found burdensome and unsatisfactory. The preferred plan at present, and one which promises to become practically the uniform plan, is that of collecting advance assessments at the time of writing the policy in an amount equal to approximately one year's cost of insurance, and later to collect annually in advance assessment sufficient for one year's cost, the company reserving the right to levy a special or extra assessment if occasion should arise. This plan has the advantage of saving much work for the secretary and treasurer and of relieving the membership from the annoyance of frequent assessments for insignificant amounts. It has the further advantage that if a member disposes of his property and moves out of the county or territory in which the

company operates, the company will not find itself in the position of having given him protection for a longer or shorter term without the insured having contributed his share toward the payment of losses and expenses. Furthermore, since this plan provides in advance for the payment of losses and the company as a regular thing has on hand some tangible assets, it presents the appearance of greater soundness and dependability. Particularly is this true when in making the assessments a small allowance is also made for the building of a reserve which is carried over from year to year but which can be drawn upon if in any given year the company should experience heavier losses than usual. There seems to be a growing consensus of opinion that a farmers' mutual should aim at a reserve equal to about \$2,000 per million dollars of risks in force. A very large reserve is unnecessary in the case of a company which deals with segregated farm risks of reasonable size, since no general conflagration hazard such as exists in city risks is present.

Increasing attention is given by the officers of farmers' mutuals to the inspection of the risks insured both at the time of writing the policy and subsequently. The importance of such inspection can scarcely be overestimated. As an example of the possibility of careful inspection may be cited the experience of an Illinois company which for over fifty years has adhered to the plan of an annual inspection of its risks by representatives of the company. While such inspections have added to the annual expenses of the company, the saving in losses has been so great that the average cost of insurance in this organization for its entire history of over half a century has been only about 7-1/2 cents per hundred per year, or less than one-third of the average cost of the entire group of farm mutuals. Since the company has fire insurance in force amounting to over \$14,000,000, its experience can not well be laid to good luck. A small company with a few hundred thousand dollars of risks in force may accidentally escape losses for a considerable period of time, but a company with several thousand members and millions of dollars of risks in force is certain to have its proportionate share of losses unless fundamental causes operate to prevent them. It is perhaps needless to say that this company has also avoided the moral hazard both by a scrutiny of prospective members and by keeping the amount of insurance written well within the actual value of the property.

V. N. Valgren.

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EXEMPTIONS FOR COOPERATIVES UPHOLD BY NEW YORK COURT

The decision recently rendered by the referee in the case of Barns vs. Dairymen's League Cooperative Association, Inc., and Bordens' Farm Products Company, Inc., in the Supreme Court of the County of Oneida, New York (trial court), is a complete victory for the defendants. In this case, the legality of the association, which controlled about 40% of the milk produced in New York State and about 50% of that used in New York City, was attacked. The plaintiff brought suit to obtain an injunction to enjoin the defendants from making or carrying out any combination for the purpose of fixing the price of milk in the State of New York, the cooperative association from doing any act whereby a monopoly in the production or sale of milk in the State was produced or under which competition was prevented, and also to enjoin the defendants from carrying out any arrangement under which the milk of the plaintiff was refused by the Bordens' Farm Products Company unless he should become a member of the cooperative association.

It appeared that the plaintiff operated a farm near Westmoreland, N. Y., and that for some time he had sold his milk to the Bordens' Farm Products Company, which operated a receiving station at Westmoreland. The Borden Company is the largest distributor of milk in New York City and controls about 30% of the fluid milk business in that city. This company entered into a contract with the Dairymen's League Cooperative Association, which, in turn, agreed to supply such milk. Obviously, if the Borden Company purchased its entire supply of milk from the cooperative association, it purchased no milk outside of the association.

The plaintiff was not a member of the Dairymen's League and apparently was unwilling to become a member. After making the exclusive contract with the Dairymen's League, the Borden Company necessarily refused to accept any milk at its receiving station at Westmoreland, except that delivered by members of the association, which members made their deliveries in accordance with the contracts which they had entered into with the association. Moved, apparently, by the fact that the Borden Company would no longer purchase milk from him, as it had done in the past, he brought suit, alleging that the Dairymen's League, as organized and operated, and its exclusive contract with the Borden Company, constituted a violation of the law of New York prohibiting conspiracies of two or more persons to prevent another from exercising a lawful trade or calling, or from doing any act injurious to trade or commerce, and of those statutes dealing with monopolies and restraint of trade.

The cooperative association contended that its operations and contracts were exempted from the laws referred to by specific statutory exemptions from such laws in favor of farmers and farm organizations.

The plaintiff claimed that these exemptions were unconstitutional. After holding that the exemptions were constitutional and that they exempted the cooperative association from the laws, which

the plaintiff claimed it had violated, the referee held that the facts involved did not show that the common law rules, relative to unlawful combinations and restraints of trade, had been violated by the defendants. The opinion does not state what the holding would have been if the statutory exemptions had been held unconstitutional. No Federal statute was involved in the determination of this case.

With respect to the Borden Company, the referee pointed out that "it certainly had the legal right to purchase its milk of any individual or group of individuals that it wished, and for any reason that it wished to assert." This, it may be said, in the absence of a statute, is the established principle, namely, that one engaged in a private business, no conspiracy or boycott being involved, may buy from whom he will or sell to whom he will, and that his reason or lack of reason for doing so is immaterial. The referee stated that there was no evidence in this case indicating a boycott or conspiracy.

This opinion, at least so far as the trial court is concerned, appears to establish definitely the legal standing of the Dairymen's League Cooperative Association and its right to dispose of the milk which it controls in the manner which it sees fit to adopt.

L. S. Hulbert.

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CARLOT SHIPPING REDUCES FREIGHT BILLS

At the end of 18 months from organization on June 7, 1921, the Minnesota Cooperative Creameries Association, St. Paul, Minn., had 382 member creameries, according to the January statement of its general manager. Sixteen hundred cars of butter were shipped during 1922 and it is stated that the saving in freight because of carlot shipping amounted to over \$200,000.

The association closed the year with current assets of \$32,600, of which amount \$25,330 was cash, and with current liabilities of but \$365,34. With \$25,000 saved from membership dues a department was financed for the purchase of creamery machinery and supplies direct from the manufacturers. As the cooperative creameries of Minnesota buy supplies to the value of more than a million dollars a year, the saving because of large-scale buying, is expected to be considerable.

The State has been divided into 15 districts, each including 40 creameries, and a creamery expert is employed for each district. It is the aim of the management to have all butter produced score 92 or above and be uniform in quality.

An office was opened by the association in New York City, May 15, 1922, to look after its interests, as an outlet for more than 80% of the butter from the Minnesota cooperative creameries is found in New York City. This office handled 860 cars in the 6 1/2 months of operation to December 31, attending to claims for damages, shortage, over-charges, and the like.

OVER SEVEN MILLION DOLLARS SPENT ADVERTISING RAISINS

Approximately seven and one-half millions of dollars have been spent advertising Sun-Maid Raisins during the past nine years, according to a booklet recently issued by the Sun-Maid Raisin Growers, Fresno, Calif. The present raisin marketing organization came into existence in 1912 after 20 years of effort to form an organization which would function satisfactorily in the marketing of raisins and similar dried fruits.

The following figures from the report of the corporation show the amount of business for each crop year since 1912. The crop year runs from September 1 to August 31.

Year	Tons Handled	Gross Sales	Received by Growers
1912	24,512	\$ 2,106,450.96	\$ 1,499,470.71
1913	59,228	6,187,117.38	4,275,743.67
1914	73,635	8,414,660.75	5,244,725.21
1915	98,405	11,969,494.45	7,370,808.99
1916	107,039	13,595,227.30	10,252,597.77
1917	127,212	16,685,244.05	13,992,787.59
1918	149,713	23,200,184.42	15,530,045.01
1919	159,262	43,280,254.41	36,345,138.43
1920	152,497	*44,293,287.74	38,416,827.82

*Including fruit valued at \$5,724,360 carried over into the next season.

The percentage of the gross sales which were passed on to the growers, the average price per pound paid the growers, and the advertising expenditures for the several years, are as follows:

Year	Per cent of Gross Sales to Growers	Price per Pound to Growers	Advertising Expenditures
		(Cents)	
1912	71	3.059	
1913	69	3.609	
1914	62	3.561	\$ 120,803.74
1915	61	3.846	240,035.83
1916	75	4.793	219,592.29
1917	83	5.499	287,000.00
1918	67	5.520	291,756.44
1919	83	11.410	374,147.11
1920	86	12.695	1,261,342.72
1921			2,139,567.47
1922			*2,520,000.00

*Budget.

The development of the business since 1912 is indicated by the following index numbers, using the figures for 1913 as 100.

Year	Tons	Gross Sales	Received by Growers	Price Per Pound
1912	41.3	34.0	35.0	84.7
1913	100.0	100.0	100.0	100.0
1914	124.3	136.0	122.6	98.6
1915	166.1	193.4	172.3	106.5
1916	180.7	219.7	239.7	132.8
1917	214.7	269.6	327.2	152.3
1918	252.7	374.9	363.2	152.4
1919	268.7	699.5	850.0	316.1
1920	257.4	715.8	398.4	351.7

As now organized the corporation has an authorized capital stock of \$5,000,000, in shares of one dollar each. There are more than 13,000 stockholders in the company, or about 93% of all the growers of raisin grapes in California. For voting purposes the stock of the corporation is held in trust until November 1926, by 30 trustees who annually, in behalf of the stockholders, elect a board of seven directors to conduct the business. While neither the articles of incorporation nor the by-laws appear to place any limit on the number of shares of stock which can be held by a stockholder, it is stated that "The average stock investment is but little more than \$200 and the stock is not permitted to earn more than 8%."

In 1921 the sales policy of the corporation was changed so as to dispense with the use of brokers. Direct selling to jobbers and wholesalers was undertaken. Fifteen division sales offices were established in the United States and one office in Canada. Early in 1922 four additional offices were opened in Canada. To-day the Sun-Maid Raisin Growers have their own offices in London, Shanghai and Amsterdam. They are also represented in the Latin-American countries.

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NORTH CAROLINA OFFICIALS WORKING ON PLAN TO FINANCE GROWERS

One hundred thirty-five thousand bales of cotton delivered to the association in its first year by 32,000 members, is the report of the North Carolina Cotton Growers' Cooperative Association, Raleigh, N. C. Of this amount, 27,000 bales have been sold at prices ranging from 21.25 cents to 30 cents for short staple cotton. Less than 5,000 bales have been sold under 25 cents. Advances of \$50 a bale were made to members on delivery and an additional \$75 a bale on all cotton delivered before December 1. These advances amounted to nearly \$10,000,000. Efforts are now being made to work out a plan whereby the growers, through their associations, may be provided with credit for producing crops this year.

FINAL SETTLEMENT MADE FOR NEW YORK WOOL POOL

A statement relative to the final settlement for the 1922 wool pool has been made by the New York State Sheep Growers' Cooperative Association, Inc., Syracuse, N. Y. The amount of wool handled was 532,821 pounds. The maximum price received was 49.5 cents for 1/2 blood combing, other prices ranging down to 34 cents for rejections and 15 cents for tags. The largest amount of wool of one grade was 199,008 pounds of 1/4 blood combing. This brought 42.3 cents a pound. Forty thousand five hundred thirty-eight pounds of delaine and fancy delaine wool remained unsold. The expenses of selling the 1922 clip amounted to \$20,020.10. This expense was prorated against individual members at the rate of 3.75 cents a pound. The items included in the total expense are as follows:

Office Salaries	\$3,976.63
Warehouse Rent	3,224.11
Warehouse Payroll	3,196.41
Assessment for Carrying Charges (1/2¢ per lb.)	2,664.21
Discount for Sales, Raw Wool	1,925.23
Assessment for Reserve Fund (1/2¢ per lb.)	1,332.05
Exchange and Interest	451.95
Stationery and Supplies	446.66
Director's Fees	442.90
Auditing	424.33
Insurance on Wool	406.52
Office Rent and Expense	329.25
Postage	257.64
Services, Traffic Department	250.00
Traveling Expense	195.40
Commissions, Raw Wool	190.14
Freight on Wool Sent Out	95.46
Shipping Supplies, Raw Wool	30.43
Warehouse Expense	65.44
Telephone and Telegraph	57.76
Legal Services and Documentary Stamps	7.58
	<u>\$20,020.10</u>

Thirty-eight county associations, representing 1,653 sheep growers, are now included in the State association which was formed in 1919. Non-members may market their wool through the association by paying an annual fee of one dollar. It is proposed to extend the services of the association to growers in Vermont, Connecticut and Pennsylvania.

Advances not to exceed 50% of the value of the wool are made to members upon request. In 1922 only 17 men out of 1,653 requested advance payments, and the total amount advanced was but \$1,576.

Plans have been made for two wool pools for 1923, an early pool closing March 31, and a later pool extending throughout the season.

GROWERS OF RED TOP SEED ORGANIZE FOR MARKETING CROP

More than 700 farmers of Southern Illinois are included in the membership of the Egyptian Seed Growers' Exchange, Flora, Ill., which was organized February 10, 1922, for the purpose of marketing the red top grass seed grown in that section. Six counties of Southern Illinois are said to produce 90% of the red top seed grown in the United States.

In 1921 a voluntary pool was conducted and 45 growers sold their crops collectively. The results were so encouraging that a permanent marketing organization was formed in 1922. Contracts were made with two seed firms to clean and warehouse the seed. Loans were secured from 24 banks in that section of the State, each member of the Exchange furnishing a note of \$100 as collateral. By means of these loans the Exchange was able to make advances amounting to about 60% of the value of the crop. A credit of \$50,000 was granted by the War Finance Corporation but it was not necessary to draw from this fund.

It is expected that about one and one-quarter million pounds of cleaned or "Fancy" seed will be marketed. More than \$11,000 worth of tailings or unhulled seed had been sold and shipped early in the season, more than paying for the entire cost of cleaning.

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ILLUSTRATING THE VALUE OF RESERVES

Because it had failed to provide a reserve the Farmers' Union Cooperative Association, Yutan, Nebr., faced a deficit of \$2,790.46 when it started the year 1922, according to a statement by the manager. The directors met the situation squarely by passing a resolution assessing each member \$2.77 per share on the capital stock held, and providing that all assessments unpaid at the end of a month draw 5% interest until paid.

This association was formed in 1914 and deals in grain, feed, coal and farm machinery. In 1914 its business amounted to over \$66,000; in 1917, over \$165,000; in 1918, over \$200,000; but in 1921, only \$75,000. During the years prior to 1921 the stockholders were paid dividends which totaled more than their original investments.

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GRAPE GROWERS ISSUE STATEMENT FOR 1922

The financial statement for 1922 of the Chautauque and Erie Grape Growers' Cooperative Association, Inc., Fredonia, N. Y., shows total sales of over \$170,00. Administrative expenses amounted to \$11,321.48. The larger items making up the total were, office salaries, \$5,008; interest and revenue stamps, \$3,053.13. The year was closed by carrying \$2,273.45 to surplus account. The association is made up of seven incorporated locals.

ILLINOIS COOPERATIVE SELLS BUTTER IN CUBA

Discontent with the low prices received for milk by the farmers of Stephenson County, Ill., resulted in the organization in September, 1921, of the Stephenson County Marketing Company, and the construction of a modern creamery and receiving plant at Freeport, with receiving stations at Damascus, German Valley, Lena and Dakota. The company was incorporated with a capital stock of \$50,000, and about 500 members. Since that time the membership has doubled and the capital stock has been increased to \$75,000. One shipment of butter packed in tins was sent to Cuba. A wholesale plant has been started at Rockford. All the property, including the creamery and a large warehouse for storing salt, twine and other supplies sold to farmers, is owned by the farmer stockholders.

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VIRGINIA PRODUCE COMPANY SHIPS 603 CARLOTS

Cabbage and potatoes made up the bulk of the produce handled during 1922 by the Southwest Virginia Cooperative Exchange, Inc., Rural Retreat, Va., as shown in a report recently issued. Butabagas and apples also were shipped. The total number of carlot shipments was 603. Besides this a quantity of cabbage was sold in bulk to a local factory, and cabbage, potatoes and apples were shipped in less than carlots. A sales agency was employed to attend to the selling on a basis of 11 1/2%. After paying the sales agency \$14,139.71, and deducting \$5,319.07 for packing, sadding, barreling, etc., the sum of \$102,995.22 was returned to the growers.

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MAPLE PRODUCERS OF NEW YORK COMPLETE FIRST YEAR

A statement issued under date of Jan. 23, 1923, by the Maple Producers' Cooperative Association, Inc., Syracuse, N. Y., shows that during its first year of operation, 1922, the association received 146,480.5 gallons of sirup from 974 members. Equipment for processing and storing the sirup was acquired and a warehouse rented. The average price received for the sirup marketed was \$1.57 per gallon. A considerable quantity of sirup is on hand for sale before the 1923 run of sap.

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INCREASED SHIPMENTS REPORTED BY BEAUFORT TRUCK GROWERS

The annual report of the treasurer of the Beaufort Truck Growers' Association, Beaufort, S. C., for the fiscal year 1921, shows total receipts amounting to \$33,393.26. Operating expenses were \$19,295.95 and the refund to shippers for 1920 was \$10,534.66. During 1920, 426 cars of truck were shipped; during 1921, 437 cars; and in 1922, 508. Of 20 crops handled, potatoes, lettuce, cabbage and romaine are chief.